

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 XMB-07 EB-11 TRSE-00 CIEP-03 AID-20

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8267

INFO USDOC WASHDC

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DEPARTMENT PASS EXIMBANK

E.O. 11652: N/A

TAGS: ENRG, ECEM, BTIO, AR

SUBJECT: REQUEST FOR EXIM FINANCING FOR GAS SEPARATION PLANT

1. ARGENTINE STATE GAS COMPANY (GAS DEL ESTADO)- GDE)  
INFORMED EMBASSY IT IS REQUESTING \$15 MILLION EXIM FINANCING  
FOR PURCHASE OF MAJOR ITEMS OF IMPORTED EQUIPMENT FOR GAS  
SEPARATION PLANT AT GENERAL CERRI, PROVINCE OF BUENOS AIRES AND  
REQUESTED EMBASSY SUPPORT FOR APPLICATION. WASHINGTON OFFICE OF  
GENERAL ELECTRIC, WHICH EXPECTS TO BE MAJOR SUPPLIER OF EQUIPMENT,  
IS ASSISTING GDE IN APPLICATION.

2. CERRI PLANT TO EXTRACT ETHANE, PROPANE, AND BUTANE FROM  
NATURAL GAS BEING PIPED FROM SOUTHERN GAS FIELDS TO MAJOR  
CONSUMING AREA IN AND AROUND METROPOLITAN BUENOS AIRES. ETHANE,  
UP TO 270,000 TONS ANNUALLY, TO SERVE AS BASIC RAW MATERIAL FOR  
BAHIA BLANCA ETHYLENE PLANT NOW UNDER CONSTRUCTION WITH EXIM  
FINANCING. PROPANE AND BUTANE, OVER 300,000 TONS ANNUALLY, TO BE  
LIQUIFIED FOR DOMESTIC USE REPLACING LIQUIFIED GAS IMPORTS NOW  
REPORTEDLY COSTING \$45 MILLION ANNUALLY.

3. EXIM ISSUED PRELIMINARY COMMITMENT LETTER ON THIS PROJECT  
(NO. 73-0-22-2 OF 2 JULY 73) TO ARTHUR G MCKEE AND CO., WHICH AT  
TIME WAS BIDDING ON PACKAGE INCLUDING DETAILED ENGINEERING,  
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PURCHASE OF LOCALLY PRODUCED AND IMPORTED EQUIPMENT, AND CONSTRUCTION

OF PLANT. THIS PRELIMINARY COMMITMENT IS UNDERSTOOD TO HAVE EXPIRED. GAS DEL ESTADO WAS UNABLE FOR INTENAL REASONS, LARGELY POLITICAL, TO ACCEPT BIDS AT THAT TIME, AND HAS NOW DECIDED TO SPLIT PACKAGE INTO SEPARATE PARTS. GDE ASSUMING RESPONSIBILITY FOR PURCHASING IMPORTED EQUIPMENT, AND REQUESTING NEW BIDS FOR REMAINING PORTIONS OF PACKAGE. FISH INTERNATIONAL (US) WHICH ALREADY PROVIDING BASIC ENGINEERING AND TURBO-EXPANDER TECHNOLOGY FOR PROJECT, REPORTED NOW ALSO HAS BEEN AWARDED CONTRACT FOR DETAILED ENGINEERING. MCKEE, IN JOINT ARRANGEMENT WITH LOCAL INTERESTS, BELIEVES IT IN GOOD POSITION TO WIN CONTRACT FOR CONSTRUCTION.

4. GDE IS UNDER INCREASING PRESSURE TO COMPLETE CERRI PLANT AS SOON AS POSSIBLE, PRIMARILY BECAUSE OF HIGH FOREIGN EXCHANGE COST OF PRESENT LIQUIFIED GAS IMPORTS. DELIVERY PERIOD FOR IMPORTED EQUIPMENT IS EXPECTED TO BE MAJOR FACTOR DETERMINING COMPLETION DATE FOR PLANT. EVEN UNDER MOST FAVORABLE CONDITIONS, PLANT UNLIKELY TO BE IN OPERATION BEFORE MID 1977.

5. EMBOFFS ADVISED BY GDE OFFICIALS THAT THEY WANT TO PURCHASE MAJOR IMPORTED EQUIPMENT ITEMS FROM US SUPPLIERS, BASED ON SUPERIOR QUALITY OF US EQUIPMENT (AND THEIR FAMILIARITY WITH IT), EXPECTED FAVORABLE FINANCING TERMS, AND PROBABLY MOST IMPORTANTLY, FACT THAT US SUPPLIERS OFFERING BEST DELIVERY TERMS. ITEMS, PROBABLE SUPPLIERS, AND APRESENT PRICES AS FOLLOWS: A) THREE GAS TURBINES PLUS SIX COMPRESSORS GENERAL ELECTRIC \$9.7 MILLION; B) SIX STEAM TURBINES PLUS TWO COMPRESSORS ELLIOT COMPANY, \$1.5 MILLION AND C) ONE BURBO EXPANDER ROTOFLOW CORPORATION, \$362,000. PRICES GIVEN ARE CURRENT PRICES; GDS STATES THAT ACTUAL PRICES TO BE PAID WILL BE THOSE IN EFFECT AT TIME OF DELIVERY, WHICH MAY BE UP TO 24 MONTHS FROM CONTRACT SIGNING, AND THUS WILL BE HIGHER THAN THOSE GIVEN ABOVE. GDE UNDERSTANDS THAT GENERAL ELECTRIC'S DISCUSSIONS WITH EXIM COVER FINANCING FOR ALL OF ABOVE ITEMS.

6. GDE OFFICIALS STATE THEY PLEASED WITH PAST DEALINGS WITH EXIM AND WISH TO CONTINUE TO WORK WITH BANK BECAUSE THEY FAMILIAR WITH ITS REQUIREMENTS. GDE WILL BE MAKING OTHER IMPORTANT PURCHASES OF IMPORTED EQUIPMENT IN THE FUTURE, INCLUDING TURBINE COMPRESSORS WITH ESTIMATED VALUE OF \$10-15 MILLION FOR NEW GAS PIPELINE, LIMITED OFFICIAL USE

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PROBABLY EARLY NEXT YEAR. EXIM FINANCING OF EQUIPMENT FOR CERRI PLANT COULD BENEFIT THESE FUTURE SALES. ON OTHER HAND, BASED ON OUR DISCUSSIONS WITH GAS DEL ESTADO AND INDUSTRY SOURCES, IT APPEARS THAT IF DELIVERY TERMS ARE MAINTAINED, EQUIPMENT FOR CERRI PLANT WILL BE PURCHASED FROM US SUPPLIERS REGARDLESS OF AVAILABILITY OF EXIM FINANCING. THE PROJECT SEEMS TO MEET BANK'S NORMAL CRITERIA FOR DIRECT LOANS WITH RESPECT TO ASSURANCE OF REPAYMENT, FEASIBILITY AND BENEFIT TO ARGENTINA AND US. WE,

OF COURSE, HAVE NO OBJECTION TO EXIM FINANCING OF THIS PROJECT.

7. IT REQUESTED THAT EXIM NOT REFER TO EMBASSY AND/OR GAS DEL  
ESTADO AS SOURCE OF ABOVE INFORMATION.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LOANS, GOVERNMENT CORPORATIONS  
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**Draft Date:** 27 SEP 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**To:** STATE  
**Type:** TE  
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